

**Statement
of
Representative Steve Buyer
before the
Government Accounting Office Commercial Activities Panel
August 8, 2001**

Members of the panel, thank you for allowing me to participate in today's hearing. I am Congressman Steve Buyer and I represent Indiana's 5th Congressional District.

I am testifying today because my congressional district is home to Grissom Air Reserve Base (ARB). In 1999, the Air Force conducted an A-76 study regarding 108 positions of the base operations functions at Grissom ARB. The base operating functions, included areas such as base supply, property maintenance, air field maintenance and management, weather functions, traffic management, and motor vehicle management. In June of 2000, the Air Force reached a final decision on the 108 jobs at Grissom ARB. The result was awarding the contract to Satellite Services, a private company.

In addition, Indiana recently conducted congressional redistricting as required by the United State Constitution after every decennial census. As a result, the future congressional district that I plan to represent, contains a portion of the Crane Naval Surface Warfare Center, in Crane, Indiana. I pledged to my constituents at Grissom, that I would work to correct what I consider to be a flawed and grossly unfair process. I make this same pledge to the hard working employees of Crane. As such, I have been actively working to address this issue. Earlier this year, I expressed these concerns to Office of Management and Budget Director (OMB) Mitch Daniels via a telephone conversation. In a subsequent letter, I requested OMB to revise the rules of the A-76 process. Now, I am before this panel to urge the same.

Since its inception, numerous hearings, discussions, debates, and testimonies have occurred on the A-76 process. Personally, I am rather skeptical over the savings estimates to be reaped through the A-76 process. Furthermore, I believe that savings alone should not be the overwhelming force in any decision that adversely affects the lives of working Americans and their families, or national security. This is especially true since the civilian government work force has consistently delivered reliable and proven support.

I believe that many civilians who work for the Department of Defense are part of the military family. Many are military retirees, members of the Reserve Components, or dependents or former dependents of military personnel. These ties to the military are special, and serve to reduce workplace friction within a Department that has a very unique and structured culture compared to other federal entities. I am also concerned because the mission of the Department of Defense is dedicated to ensuring our national security. I have grave concerns regarding any process that fragments the organization and degrades or diminishes the Department's ability to accomplish its mission . . . that of fighting and winning this nations' wars. Simply put, the military family knows the business of national security, and their business cannot be "outsourced" without some degradation of the Department's ability to provide defense.

Equally important, the A-76 process has not been implemented uniformly. While the Department of Defense has aggressively utilized the A-76 process, other federal agencies have instead relied on management improvement techniques, such as re-invention, re-engineering, and consolidation, as recommended in National Partnership for Reinventing Government.

As a Member of the House Veterans Affairs Committee, I can enthusiastically report that the Committee annually conducts oversight hearings on the progress and savings of the Department of Veterans Affairs, and the Department of Labor's Veterans Employment and Training Service. As a result of active oversight under the NPRG, it is very evident to me and other Members of the Committee, that these agencies have indeed responded to the challenge and provided more efficient services at a reduced cost. I would encourage this panel and the Department of Defense to afford its civilian government employees the opportunity to also rise to the occasion of providing better services at reduced cost through the NPRG, before conducting future A-76 studies.

Furthermore, the process, as currently administered is grossly unfair for the Most Efficient Organization (in house-bid). For example, in the first round of A-76 studies conducted by the Air Force Reserve Command (AFRC) during the late 1980's, AFRC did not include any cost for overhead operation in the in-house government estimate for those studies. However, in 1996, the Office of Management and Budget, at the request of private contractors, revised the A-76 process so that the in-house bid was required to add 12 percent for overhead, while the contractor did not have this same requirement. This clearly violates the spirit and intent of A-76 Circular that mandates the process be a fair and realistic comparison.

In another example, MEO bids for the A-76 cost comparison study at Grissom Air Reserve Base for the Base Operations Support function at Grissom ARB were required to be submitted and finalized by December 3, 1999. Despite this deadline, the MEO bid was subsequently revised on April 20, 2000, and May 2, 2000, with no subsequent revisions of the contractor bid. The May 2, 2000, revision, required the MEO to incorporate into its final bid, the Office of Personnel and Management 2000 General Schedule Rates of Locality Pay Rest of the U.S., dated May 1, 2000. Conversely, the contractor used the Department of Labor Wage Determination Number 94-2195 (Rev 11) dated August 3, 1999, that was actually based on December 1998 labor and wage statistics of the Kokomo area. As such, the MEO incurred Office of Personnel and Management (OPM) mandated labor and wage increases for Fiscal Years 1998, 1999 and 2000. The subsequent mandated OPM labor and wage increases for the MEO bid compared to the 1998 labor and wage survey data used by the contractor provides the contractor an unfair advantage in calculating labor and wage costs. Again, these mandated revisions to include the most recent OPM labor and wage data compared to three year old Department of Labor data clearly violate the spirit and intent of the A-76 process to be a "fair and a realistic comparison."

In addition, the bidding contractors were allowed to use a significantly lower 120 day orientation cost compared to the historical averages of recent A-76 cost comparison studies. The contractor stated that its orientation costs for the 120 day orientation period would total \$21,751. In comparison, the three most recent A-76 studies conducted by Air Force Reserve Command used a 120 orientation cost that ranged from \$170,000 to \$225,000. This is clearly distorted, and

only adds to the critics that claim bidding contractors “low ball” their bids, and in return raise the cost of their services once the contract is awarded.

In many cases, security clearances are required by some of the personnel hired by a contractor to allow access to sensitive areas or access to certain types of information. Over the past several years, there has been an extremely large back log at the Defense Security Service (DSS) for both military and civilian personnel seeking security clearances. Again, the cost of these clearances, and the costs resulting in the delay of granting security clearances contractor are not considered. Even if a contractor rehires the government employees who possess valid security clearances, they would need to be re-validated.

In testimony before the Senate Armed Services Committee on April 6, 2000, the General Accounting Office testified that *“in February 1999, representatives of several contractors complained to DSS about the time taken to clear their personnel, pointing out that the delays threatened to affect some facilities’ ability to effectively perform on contracts and meet cost schedules.”* The GAO testimony further states that: *“the Joint Security Commission reported that delays in obtaining security clearances cost DoD several billion dollars because workers were unable to perform their jobs while awaiting a clearance.”*

Given the above mentioned discrepancies, I believe the current A-76 process violates the spirit and intent of the A-76 Circular to provide an evaluation that ensures *“all costs are considered and that these costs are realistic and fair.”* I urge this panel to recommend that the A-76 process be revised to reflect the intent of the Circular. Specifically, I urge this panel to recommend:

- elimination of the 12 percent overhead incurred by the MEO’s.
- all labor and wage cost and comparative data reflect an “apples to apples” comparison as opposed to an “apples to oranges” comparison.
- all bidding contractors adhere to a realistic minimum or standard orientation cost schedule in order to prevent “low ball” bidding.
- unforeseen costs such as those regarding the costs of obtaining security clearances, as well as delays in obtaining security clearances be included in the contractors bid.

Lastly, I urge this panel to recognize the value of congressional oversight of the National Partnership for Reinventing Government. Clearly, other federal entities have pursued this option, and have improved services with a reduction in cost to their parent Department.

This concludes my testimony, and I would be happy to answer any questions the panel may have. Thank you.

